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SUBJECT: ENTREPRENEURSHIP SUMMIT: EMBASSY TUNIS OUTREACH

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Summary  
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[1](#)1. (SBU) Our engagement with public and private sector Tunisians continues to build support for the Entrepreneurship Summit and other Cairo speech initiatives. Tunisians are widely supportive of the President's vision of comprehensive engagement and partnership, and have identified the potential for entrepreneurship, science and technology, and other key Cairo speech themes to help solve Tunisia's most critical challenges. With high unemployment among college graduates, Tunisia is fertile ground for promoting entrepreneurship. However, as we have learned from bankers, entrepreneurs, and others, banking sector reform is needed to provide financing to entrepreneurs, and small businesses need better coaching and support to enable them to grow. End Summary.

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Roundtables focus on key entrepreneurship issues  
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[1](#)2. (SBU) In two back-to-back roundtable discussions hosted by the Ambassador December 14 and 15, participants highlighted key challenges and opportunities for entrepreneurship in Tunisia. The first roundtable focused on macro-level analysis and included bankers, business heavyweights, and civic leaders, while the second roundtable gathered testimonials from small- and medium-scale entrepreneurs and microcredit non-governmental organizations (NGOs). These two groups were highly consistent on the issues affecting entrepreneurship in Tunisia:

- The potential for entrepreneurship to spur growth: Tunisia's high rate of unemployment among college graduates (22 percent, compared to an official unemployment rate of 14 percent) has fueled a "brain drain" as skilled job-seekers flee to Europe and elsewhere. It also raises the specter of social unrest and has thus become a national priority for the Government of Tunisia (GOT). Roundtable participants agreed that small business creation through entrepreneurship has the potential to employ many of Tunisia's skilled graduates.

They also agreed, however, that this potential is weakened by a lack of "entrepreneurial spirit" and difficulty in obtaining financing for small businesses.

- The "entrepreneurial spirit": While some pointed to a tradition of self-reliance in Tunisian society, all agreed that the entrepreneurial spirit is underdeveloped in today's Tunisia. Focusing on youth, participants complained of a sense of entitlement, a lack of preparation, and an aversion to risk among college-aged Tunisians. University students, particularly in the large engineering and science programs, are not trained in business or management. Graduates seek a stable job in a large firm or ministry, hoping to set the stage for home ownership, marriage, and family life. While many focused on social and cultural biases against entrepreneurship, one participant ventured that the GOT, by suppressing free speech and independent thought, has failed to create an environment in which entrepreneurship can flourish.

- Financing for entrepreneurship: Participants were nearly unanimous in criticizing the Tunisian banking sector for its failure to support entrepreneurs. As we have reported in the past, banks lack the skills and methodology to extend capital to business projects, continuing to focus exclusively on the credit-worthiness of the borrower (ref E). While microcredit loans up to TD 5,000 (\$3,780) are generally available through NGOs and GOT agencies, this weakness in the banking sector effectively puts a low ceiling on small business growth. Entrepreneurs were also united in praising the business coaching and training services offered by microcredit NGOs, and on the need to extend these services to small- and medium-sized firms.

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Embassy outreach continues to build support  
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13. (SBU) Embassy Tunis has taken advantage of meetings and other outreach opportunities to seek partners and gather input on entrepreneurship and other key elements of the President's Cairo speech. The Ambassador, who arrived in September, has used courtesy calls to engage on these themes with the Prime Minister, the Ministers of Agriculture, Finance, Foreign Affairs, Public Health, Higher Education and Scientific Research, and Development and International Cooperation. These GOT officials have expressed strong support for the President's Cairo agenda and have noted the linkages between key Cairo themes (science and technology, women's rights, entrepreneurship) and GOT policy priorities. In a noteworthy spirit of cooperation, two of these meetings (the Ministries of Agriculture and Higher Education) have been followed by draft MOUs proposing enhanced U.S.-Tunisian cooperation on Cairo-related issues.

14. (SBU) The Ambassador has also discussed President Obama's speech with local business leaders, the Tunisian American Chamber of Commerce, and local offices and affiliates of U.S. companies, including Citibank, Microsoft, Pfizer, Coca-Cola, Cisco, Hewlett-Packard. In these meetings, the Ambassador discussed the local business climate, key investment opportunities, and the prospects for expanding and deepening the U.S. commercial linkages with Tunisia.

15. (SBU) The recent Tunis-Med Franchise Show (ref A) offered an opportunity for the Ambassador and Emboffs to engage with GOT and private sector partners on the issue of franchising. Until recently, strict capital controls and an insufficient legal framework have kept all but a handful of international franchises from successfully establishing a presence in Tunisia. A recent law promises new avenues for entrepreneurship and investment through franchising by facilitating registration and royalty repatriation. The recent visit of American franchising expert Bachir Mihoubi, whose travel was funded by the Commercial Law Development Program (CLDP) at the Department of Commerce, included engagement with the Ministry of Commerce, the Center for Young Entrepreneurs, the National Chamber of Women

Entrepreneurs, and the Bank for Small and Medium-Enterprises on this key entrepreneurship development.

¶6. (SBU) In other areas, the Embassy continues to engage with stakeholders to advance entrepreneurship along with other Cairo speech themes. The ESF-funded program on "Innovation, Entrepreneurship, and Good Governance" (implemented by CLDP) continues to make progress, with plans underway for a study visit by a group from the National Agency for the Promotion of Research and Innovation to key U.S. research and technology sites. The Embassy has shared a draft MOU with the Ministry of Industry for another assistance program (implemented by the U.S. Small Business Administration) that will promote entrepreneurship through improved GOT assistance and financing for small and medium enterprises (SMEs).

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Comment  
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¶7. (SBU) With its skilled labor pool, market proximity to Europe, modern infrastructure, and large middle class, Tunisia is fertile ground for entrepreneurship. And with 22 percent of its college graduates unemployed (compared to five percent of the illiterate workforce), Tunisia is full of young, educated, and motivated potential entrepreneurs. While in some cases, risk-averse social attitudes dampen the "spirit of entrepreneurship," for the most part the barriers to entrepreneurship are rooted in insufficient bank loans, inadequate business education, and weak support to SMEs. The Tunisians put forward by the Embassy to attend the Summit on Entrepreneurship (ref B) are uniquely positioned to tackle these issues in both the public and private sectors; the Embassy is supporting those efforts through technical assistance programs (see paragraph six above) and by engaging on franchising and U.S. investment. We will continue our active outreach with a broad spectrum of Tunisians to help make the Summit a success and to better address the challenges facing entrepreneurship in Tunisia. End comment.

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